

# FY 2006 Property Tax Update



★ A NEWSLETTER FROM THE CITY OF CAMBRIDGE ★ EXECUTIVE DEPARTMENT ★

## *Dear Residents and Taxpayers of Cambridge:*

The City Council and City administration worked diligently to ensure that property taxes did not increase significantly this year. In April, the City Council adopted the fiscal year (FY) 2006 budget with a projected property tax levy increase of only \$5.5 million or 2.5%. This was the lowest increase in a decade. In addition, tight controls on spending and continued growth in non-property tax revenues (motor vehicle excise, hotel/motel tax and interest earnings) resulted in an increase in the City's undesignated fund balance (free cash). The City has elected to use free cash and increased non-property tax revenues to fund \$5.5 million of the FY 2006 budget that otherwise would be raised through property taxes. As a result, for the first time since FY 1996, there is no increase in the property tax levy. The property tax levy is the amount of revenue raised through property taxes in a given year.

Based on the votes taken by the City Council on September 26, 2005, the Massachusetts Department of Revenue has established a residential property tax rate of \$7.38 per thousand and a commercial property tax rate of \$17.86 per thousand for FY 2006. The tax bills mailed in October will be based on these tax rates. The FY 2006 residential and commercial tax rates are 5.1% and 2.3% lower, respectively, than FY 2005 rates.

Your tax bill is calculated by applying the tax rate to your property value. Residential property values for FY 2006 increased at a slower rate than in recent years, and, for the first time in several years, commercial values increased at a faster rate than residential values. As a result, 76% of residential taxpayers will receive tax bills that are lower, the

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same, or only slightly higher (less than \$100) than last year's bill. In fact, about 46% will see a reduction in their tax bills. An additional 30% will see either no change or an increase of less than \$100. The tables on the following page illustrate the changes in median tax bills.

In closing, the City Council and City officials realized that the FY 2005 increase in property values and taxes placed a burden on some property owners. We have taken steps over the last year to address these concerns including:

- Adopting a FY 2006 Budget with a 0% property tax levy increase
- Strategically using more non-property tax revenues and reserves to lower property taxes
- Adopting a water rate with a 0% increase for FY 2006
- Continuing to offer the most generous tax exemption program in the Commonwealth
- Adhering to the City Council goal of evaluating city expenditures both in terms of sound fiscal management and in terms of the impact on taxpayers

It is my belief that we have listened to the taxpayers and residents through these actions and have responded effectively.

Sincerely,

ROBERT W. HEALY, CITY MANAGER

# Assessment Update

In FY 2005, the City implemented a new computer assisted mass appraisal system. The implementation, which included a major recollection of data elements and key changes to the statistical model used to value residential property, was certified by the Massachusetts Department of Revenue. Based on 2004 sales, the model developed in FY 2005 has proven to be accurate. For FY 2006, the residential model was refined to reflect legitimate concerns raised by homeowners regarding their property values. In addition, the Assessors' ability to analyze and incorporate

adjustments to residential values using the new mass appraisal model led the department to change the various assessment districts to better reflect values in Cambridge.

Enhancements to the City's web-based property database ([www.cambridgema.gov/assessor](http://www.cambridgema.gov/assessor)) will allow residents to review assessed values of homes in relationship to comparable sales. This enhancement will be available soon after the FY 2006 bills are issued.

The table below illustrates the change in median tax bills between FY 2005 and FY 2006 for residential taxpayers. The median is the midpoint value, which has an equal number of values below and above it.

## CHANGE IN THE MEDIAN VALUE AND TAX BILL BY PROPERTY CLASS

	FY05 Median Value	FY05 Tax Bill*	FY06 Median Value	FY06 Tax Bill*	Dollar Change	Percent Change
<b>SINGLE FAMILY</b>	\$637,300	\$3,300	\$651,600	\$3,261	(\$39)	(1.2%)
<b>CONDOMINIUM</b>	\$352,400	\$1,083	\$365,850	\$1,152	\$69	6.4%
<b>TWO FAMILY</b>	\$655,900	\$3,445	\$669,100	\$3,390	(\$55)	(1.6%)
<b>THREE FAMILY</b>	\$769,900	\$4,332	\$781,100	\$4,217	(\$115)	(2.7%)

\* Includes Residential Exemption

The table below illustrates how more than 76% of residential taxpayers will see a reduction, no change or an increase of less than \$100.

## CHANGE IN THE RESIDENTIAL TAXES BILLS\*

CHANGE IN TAX PAYMENT	NUMBER OF ACCOUNTS	PERCENTAGE
LESS THAN \$0 (TAX DECREASE)	8,212	46.2%
GREATER THAN \$0 BUT LESS THAN \$100.00	5,313	29.9%
GREATER THAN \$100.00 BUT LESS THAN \$250.00	3,299	18.5%
GREATER THAN \$250.00 BUT LESS THAN \$500.00	649	3.6%
GREATER THAN \$500.00	312	1.8%
<b>TOTALS</b>	<b>17,785</b>	<b>100%</b>

\* Based on Single, Two, Three Family and Condominiums and assumes the Residential Exemption for each parcel in both years.

## THREE MAJOR FACTORS DETERMINE YOUR TAX BILL:

**THE CITY'S BUDGET:** As a result of the recommendations adopted by the City Council, there is 0% increase in the property tax levy required to balance the FY06 Budget. The property tax levy for FY 2006 is \$222,960,291.

**PROPERTY VALUES:** FY 2006 values are based on market activity from January 1, 2004 through December 31, 2004. The rate of increase in residential values slowed as compared to market activity in the prior 12 month period.

**THE COMMERCIAL-RESIDENTIAL PROPERTY TAX CLASSIFICATION:** Because commercial values increased for the first time in the past few years and residential values moderated, the share of property taxes paid by commercial taxpayers increased from 61% to 63%. The residential share decreased from 39% and 37%.

# Frequently Asked Questions

## About Your Assessment

### ★ HOW DOES THE CITY DETERMINE THE VALUE OF MY HOUSE?

The State requires that the City establish the full and fair cash value of all real estate as of January 1 of each year. To determine FY 2006 values, the Assessing Department reviewed all valid sales that occurred between January 1, 2004 and December 31, 2004. A computer model is used to calculate property values based on this market activity as well as certain property-specific attributes such as location, size, type and condition. This is known as the “mass appraisal method.”

### ★ WHAT IF I DISAGREE WITH MY ASSESSMENT?

You can file an application for abatement with the Assessing Department. **Abatement applications are due on bill due date.** You may obtain an application by calling the Assessing Department at 617 349 4343, or by downloading the form from the City’s website: [www.cambridgema.gov](http://www.cambridgema.gov). The form is available under “Online Services, City Permits and Applications.”

### ★ WHO VERIFIES THAT THE ASSESSING MODEL USED BY THE CITY AND THE RESULTING PROPERTY VALUES ARE ACCURATE?

Annually, the Massachusetts Department of Revenue (DOR) performs a statistical analysis of the City’s property values. Additionally, every three years the DOR conducts a comprehensive analysis of the City’s appraisal system and reviews property values to ensure that they represent full and fair market values. In FY 2005, the City’s assessing model was certified after a rigorous review by the DOR.

### ★ WHY SHOULD I LET THE CITY ASSESSING DEPARTMENT IN MY HOUSE FOR AN INSPECTION?

Interior inspections are an important part of the City’s assessment process. Just as a potential buyer of real estate inspects the interior of a home before making an offer, the City can make a better determination of value based upon accurate data using interior inspections. Often the results of the inspection can be beneficial to the taxpayer by correcting data. Examples of data reviewed include: dwelling type, condition and size of exterior and interior, number of bathrooms and fireplaces, and whether attics and basements are finished or unfinished.

### ★ WHY CAN’T THE CITY JUST LOWER PROPERTY VALUES IN ORDER TO REDUCE TAX BILLS?

State law requires the City to assess property at full and fair market value. However, lower property values do not necessarily result in lower tax bills. Since a fixed amount of revenue must be raised each year through property taxes in order to fund the budget, lower overall property values would result in a higher tax rate.

## About the City Budget

### ★ IF MY TAX BILL WENT UP 10% LAST YEAR, DID THE CITY HAVE EXTRA MONEY TO SPEND?

No. The budget process and the property valuation process were conducted independently. The total amount due from all property tax bills equaled the amount of property tax revenue required to fund the budget. Individual tax bills varied: some taxpayers paid more, some the same, and some less than their previous year’s bill as a result of changes in property value and a shift in the proportion paid by commercial taxpayers versus residential taxpayers. Last year residential taxpayers paid 39% of the total tax levy, up from 36% the previous year. In FY 2006, residential taxpayers will pay 37% of the property tax levy; commercial owners will pay 63%.

### ★ WHAT DOES A ONE MILLION DOLLAR REDUCTION IN THE BUDGET MEAN TO THE RESIDENTIAL TAXPAYER?

A one million dollar reduction in the budget would yield tax savings of about \$15 for a residential taxpayer with a property valued at \$500,000. A commercial taxpayer would save approximately \$40 on a property with the same value. This is because Cambridge has adopted a property tax classification system that allows the City to tax commercial property owners at a higher rate than residential property owners. This year commercial taxpayers will pay approximately 63% of all property taxes. Because commercial taxpayers pay a higher proportion of the overall tax bill, they also benefit most when the tax levy is reduced.

★ DOES THE CITY USE ITS RESERVES TO BALANCE THE BUDGET AND LOWER PROPERTY TAXES?

Yes. The City, on average, has used \$9.2 million in reserve funds in each of the past 10 fiscal years. This prudent and planned use of City reserves has been positively recognized by the three major credit rating agencies, and is reflected in the City's AAA credit rating. If the City used all of its reserves in one year to reduce property taxes, the next year's taxes would increase significantly since the reserves would no longer be available.

★ WHAT ROLE DOES THE SPECIAL COMMITTEE ON TAXATION PLAY?

The City's Special Committee on Taxation, comprised of City Councilors and City staff, is investigating potential changes to property tax legislation and opportunities for alternative revenue sources to fund the budget. This committee is actively reviewing proposals and hopes to present its recommendations to the City Council soon. The Committee is also charged with finding ways to increase taxpayer awareness. Based on the Committee's recommendation, the City is publishing and mailing periodic newsletters about taxes and property values to Cambridge residents.

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## About Your Bill

★ MY MAILING ADDRESS HAS CHANGED. HOW DO I NOTIFY THE CITY SO THAT MY TAX BILL IS SENT TO THE CORRECT ADDRESS?

The City's Assessing Department requires a mailing address change form. You may obtain the form by calling the Assessing Department at **617 349 4343**, or by downloading the form from the City's website: [www.cambridgema.gov](http://www.cambridgema.gov). The form is available under "Online Services, City Permits and Applications."

★ I AM A NEW OWNER. WILL THE TAX BILL BE SENT TO ME?

Not necessarily. The assessment date is January 1, 2005. The property is legally assessed and billed to the owner as of January 1. We make every effort to get new owner address changes into our system; however, sometimes it is several months before we receive a copy of the new deed. If you do not receive a bill by October 20, please contact the Finance Department at **617 349 4220** and request a duplicate bill. You also may e-mail us at [treasurer@cambridgema.gov](mailto:treasurer@cambridgema.gov). You are responsible for paying the bill whether you receive it or not.

★ AM I ELIGIBLE FOR A RESIDENTIAL EXEMPTION?

You are eligible for a residential exemption if you owned and occupied your property as your principal residence as of January 1, 2005. An individual owner may qualify for a residential exemption on only one parcel. If you do not see this exemption on your bill, an application form must be submitted within 90 days of the 1st half bill date. You may obtain the form by calling the Assessing Department at **617 349 4343**, or by downloading the form from the City's

website: [www.cambridgema.gov](http://www.cambridgema.gov). The form is available under "Online Services, City Permits and Applications." You do not need to reapply each year.

★ I LIVE ON A LIMITED INCOME. WHAT OPTIONS ARE AVAILABLE TO REDUCE MY TAXES?

If you or your spouse is age 65 or older, you may qualify for a tax exemption of up to \$2,000. Exemptions also are available for disabled veterans and for persons who are legally blind. In cases of extreme hardship, the City may grant a full or partial exemption of taxes. Hardship exemptions are granted on a case-by-case basis, and are usually a one-time exemption. Deferral of taxes may also be an option, depending on your age and income. Information about specific exemptions will be mailed to all taxpayers soon after the tax bills are mailed. You may also contact the Assessing Department at **617 349 4343** to discuss your situation.

★ WHAT IS THE CPA SURCHARGE? WHAT IS THE MONEY USED FOR?

The CPA is a property tax surcharge of 3 percent. Cambridge residents voted to adopt the Community Preservation Act (CPA) in 2001. The adoption of the CPA had a neutral effect on tax bills, and enabled the City to qualify for matching funds from the State. Money raised through the CPA must be used to acquire and protect open space, preserve historic buildings, and create and maintain affordable housing. The state provides matching funds to communities that have enacted the CPA legislation. The City has received \$15.9 million in State matching funds through FY 2005 and expects to receive an additional \$5.9 million in FY 2006.

# How To Read Your Tax Bill

City of Cambridge			Fiscal Year 2006 Real Estate Bill		
<b>Tax Rate</b> Per \$1000	<b>Res:</b> \$7.38	<b>Com:</b> \$17.86	<b>Customer No.</b> 13028	<b>Assessed Owner</b> SMITH, JOHN	<b>Bill No.</b> 21845031
Property Description and Location			Real Estate Values		Real Estate Taxes and Charges
Parcel: 40-84 Deed book/page: 14998/502 Location: 123 MAIN ST Class: 101 Lot size: 3250 sqft  JOHN SMITH 123 MAIN ST CAMBRIDGE MA 02139			Residential	\$506,970	Res. Tax \$2,193.94
			Commercial		Com. Tax
			Residential Exemption	\$209,688	CPA \$43.68
			Total Taxable Value:	\$297,282	Betterments/Liens
			Betterments/Liens		Exemptions/Abatements
			Water Lien	\$0	<b>Total Due FY 2006</b> <b>\$2,237.62</b>
			Sewer Lien	\$0	1 <sup>st</sup> Payment Due Nov 2005 \$1,118.81
			Total Lien	\$0	2 <sup>nd</sup> Payment Due May 2006 \$1,118.81
					<b>Amount Now Due</b> <b>\$1,118.81</b>

## Tax Bill Key

### PROPERTY TAX DESCRIPTION AND LOCATION

- **Parcel:** Also known as map, lot, & unit, this number identifies your property on the City's internal map.
- **Location:** The legal address of the assessed property.
- **Class:** A code which identifies the type of property. (e.g. 101: Single Fam, 102: Condo, 104: 2-Fam, 105: 3-Fam)
- **Lot Size:** Square footage of the land. For condominiums, the square footage represents living area.

### REAL ESTATE VALUES

- **Residential, Commercial:** The value of your property as of January 1, 2005.
- **Residential Exemption:** An exemption granted to owners who occupy the property as the primary residence. This amount is exempt from taxes. The FY 2006 exemption is \$209,688. **If you do not see this amount on your bill and think you qualify, please contact the Assessing Department.**
- **Total Taxable Value:** The sum of residential and commercial value minus the residential exemption. The tax rate is applied to this amount.

### BETTERMENT/LIENS

- **Water/Sewer Liens:** Water and sewer charges more than 90 days overdue are added to your tax bill.

### ASSESSED OWNER

- **Assessed Owner:** Person who owned the property on January 1, 2005.

### REAL ESTATE TAXES AND CHARGES

- **Res. Tax:** Taxes due on residential property.
- **Com. Tax:** Taxes due on commercial property.
- **CPA:** Community Preservation Act Surcharge. The City's surcharge rate is 3%, with a \$100,000 exemption for residential property.
- **Betterments/Liens:** Full amount is due with first half payment.
- **Exemption/Abatements:** Tax reduction due to abatements and exemptions. (Except the residential exemption, which is reduced from the residential value and reflected in the tax amount.)

Abatement applications are due on bill due date. Download an application form from the City's website at [www.cambridgema.gov](http://www.cambridgema.gov) (Online Services, City Permits and Applications) or telephone the Assessing Department at **617 349 4343**.

# What If I Have a Tax Related Question or Want More Information?

## Ask The Treasurer

EMAIL: [treasurer@cambridgema.gov](mailto:treasurer@cambridgema.gov)

## SEND MAIL TO:

The City Treasurer  
Cambridge City Hall  
795 Massachusetts Avenue  
Cambridge, MA 02139

VISIT THE CITY'S WEB SITE: [www.cambridgema.gov](http://www.cambridgema.gov)

Sign up for Cambridge E-Line to receive periodic electronic newsletters, alerts and City publications.

## CONTACT A DEPARTMENT:

Assessing Department for Property Value Info. 617 349 4343

Budget Office for Expenditure/Revenue Info. 617 349 4270

Finance Department for Tax Bill Info. 617 349 4220

City Manager's Office 617 349 4300

## Important Dates

### NOVEMBER 2005

Tax Bills Due

### NOVEMBER 2005

Abatement Applications Due

### JANUARY 2006

Exemption Applications Due

## Taxpayer Assistance Meetings

### OCTOBER 19, 2005

10:00am - 12:00pm, Main Library/Longfellow

### OCTOBER 20, 2005

10:00am - 12:00pm, N. Cambridge Sr. Center

### OCTOBER 25, 2005

2:00pm - 4:00pm, Citywide Sr. Center

### OCTOBER 26, 2005

10:00am - 12:00pm, Collins/Mt.Auburn Library

### NOVEMBER 1, 2005

10:00am - 12:00pm, O'Connell Library

### NOVEMBER 3, 2005

2:00pm - 4:00pm, Valente Library

[www.cambridgema.gov](http://www.cambridgema.gov)

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